



Foundations for Founders: Legal & Financial Setup Essentials

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Enterprising
Futures atLSBU

Introduction to startup law



BUCKWORTHS





About Buckworths

The only law firm in the UK working exclusively with start-ups and high growth businesses.

- Advisor primarily to start-ups from pre-seed, seed and Series A-C
- Experts in SEIS, EIS and VCT tax reliefs
- Recognised by the Legal500 ranking

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What are we covering?

- Business Structure
- Tax
- Risk Assessment
- Insurance
- Customer Contracts
- Team Incentivisation
- Intellectual Property
- Investor tax reliefs





Business structure

What structure to use?

- Sole trader
- Limited company
- Community Interest Company
- B-Corp

Reasons for using limited company

- Limited liability
- Separate tax treatment
- Easy to bring on investment/ sell the company



Tax registrations

Corporation tax

- Mandatory registration on commencement of trade
- Annual corporation tax return
- Corporation tax at 19% up to £50,000 of profit

PAYE

- For all employees
- Deduction of income tax and NI from employee salaries
- Employer's contribution NI

VAT

- Mandatory registration at £90,000 revenue (2025-2026 tax year)
- VAT at 20% (default rate)



Risk Assessment

Legality

- Is the business legal?

Regulatory

- Financial services
- Gambling
- Solicitors/accountants
- Employment business

Financial

- Set-up costs
- Ongoing costs as they fall due
- “Real world” or “scale-up”



Trading

- What are the risks to customers?
- How can they be reduced?
- Limitation of liability
- Insurance

Reputational

- Risk of damage to reputation by upset customer and/or breaches of law
- Importance of setting legal documentation right



Insurance

Types of insurance

- Public liability insurance
- Employers' liability insurance
- Professional indemnity insurance
- Product liability insurance

Things to consider

- Matching limitation of liability provisions with insurance coverage
- Excess
- Exclusions

Customer terms



Limitation of liability

- Exclusions of some risks
- Limitation of other risks
- Insurance for risks that cannot be limited or excluded (death, personal injury, fraud, gross negligence)



Termination

- For non-payment
- At will (if no longer economical)
- On insolvency of customer



Getting paid

- Due date for payment
- Formal demand for payment
- Interest on late payments

Team incentivisation

Key considerations of sweat equity

- Once issued, shares cannot be taken back without explicit authority
- Tax, tax, tax
- Valuation

Structures

- Reverse vesting
- EMI options
- Unapproved schemes & phantom schemes



Intellectual Property



What is IP?

All of the intangible stuff created through a business' life cycle

Ownership of IP

- Where IP is created by someone other than an employee, it is owned by the creator from the point of creation NOT by the start-up
- To transfer IP to your company, the creator must sign a written agreement

Registration of IP

- Trademarks
- Design rights
- Patents

Sources of funding

Grant funding



Equity Investment –
angels and VCs



Self-funding, debt



Pre-sale of goods



Crowdfunding – debt
and equity



Credits incl. Google
Cloud Credits



What are SEIS & EIS?



- (Seed) Enterprise Investment Scheme
- Tax rebate schemes giving investors:
 - 50% (SEIS)/30% (EIS) of their investment back as an income tax credit from HMRC
 - Capital gains tax relief on investment
 - Inheritance tax relief (if shares held for more than 2 years)
 - Loss relief (against income tax or capital gains tax)
 - 0% capital gains tax on sale

High risk investments

- Start-up companies
- Investment for growth NOT maintenance
- No preferential treatment for investors
- Apply to most trades (other than professions, property, asset rental, banks, crypto)

Preparing for investment

- Be brutally honest and realistic
- Get feedback
- Build your network
- Get your public messaging right
- Engage with your customers
- Understand your financials
 - 3 year forward-looking P&L and Cashflow forecasts
 - Clarity on valuation methodology, assumptions and metrics
 - Understanding how investment monies will be spent



Next Steps

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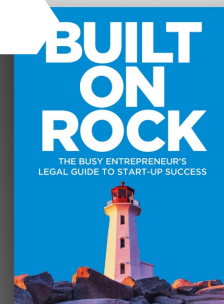


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